



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

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**Issuer:** Asian Healthcare Specialists Limited

**Security:** Asian Healthcare Specialists Limited

**Meeting details:**

Date: 28 January 2019

Time: 10.00 a.m.

Venue: One Farrer Hotel, Napier Room, 1 Farrer Park Station Road, Singapore 217562

**Company Description**

Asian Healthcare Specialists Limited, an investment holding company, provides specialist orthopaedic, trauma, and sport services to patients through its clinics. The company offers knee/hip replacement, sports medicine/surgery, spine surgery, foot/ankle surgery, and minimally invasive orthopaedic services. It has five medical specialists operating at four clinics under The Orthopaedic Centre brand across Singapore. The company was founded in 2013 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=1J3](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1J3))

1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) **Specialist clinics:** The group currently has 6 senior and experienced orthopaedic medical specialists operating at four “The Orthopaedic Centre” clinics at Orchard, Farrer, Novena and Gleneagles. **Is management looking to further increase the number of medical specialists and the number of clinics in the near-term?**
- (ii) **Pain management centre:** In November 2018, the group acquired a specialist anaesthetic clinic that was said to be a major step in the group’s plans to establish a pain management centre. **Would management help shareholders understand the specialties/subspecialties and services that would be required to form a pain management centre? What are the other services and specialties that the group is looking to acquire?**
- (iii) **Yangon, Myanmar:** On 2 July 2018, the group entered into an agreement with All-Star American Medical Specialists (Myanmar) Ltd (“ASAMS”) to provide consultancy services to both outpatients and inpatients, including surgical services for patients seeking treatment at Grand Hantha International Hospital (“GHIH”) located in Yangon, Myanmar. **With more than 6 months since the signing of the agreement with ASAMS, what has the group learnt from this overseas foray and how has it helped the group refine its overseas growth plans? In addition, what is the impact of the agreement with ASAMS on the group’s earnings?**
- (iv) **Key man risk:** **With 6 orthopaedic medical specialists and the addition of a specialist anaesthesiologist in November 2018, does the group have significant key man risk? Can the company provide a breakdown of the group’s revenue by doctor/subspecialty?**

2. On 26 October 2018, the company announced the proposed acquisition of Asian Anaesthesia Care Pte. Ltd. (AAC) for a consideration of \$11.05 million, of which \$1 million will be satisfied in cash and the balance by the issue and allotment of 35.9 million new shares (at the issue price of \$0.28 per share).

On 5 November 2018, the company provided further information on the valuation and pro forma financial results of the proposed acquisition, following queries by the SGX-ST.

- (i) **Would management help shareholders understand the potential of AAC? What are the near-term plans to scale up the operations of AAC given that it is dependent on Dr Lim Tet Chen Roy?**
- (ii) **What was the involvement of the board, especially the independent directors, in the deal sourcing and deal structuring of the acquisition of AAC?**

- (iii) **Did the audit committee review the terms of the acquisition, especially the acquisition price? What is the experience of the audit committee members in valuation and commercial due diligence?**
- (iv) In the announcement dated 26 October 2018, it was disclosed that the vendor of AAC will be entering into a service agreement with the company for a period of 5 years from the date of completion and that the service agreement will be extendable for a further period of 5 years. **Under what circumstances will the service agreement be extendable for a further 5 years? Are there additional conditions (such as future payments) attached to the extension of the service agreement?**

3. Soon after the company's IPO which raised net proceeds of \$9.5 million, the company entered into an investment agreement with Heliconia Capital Management Pte. Ltd. for the issue of a \$5 million zero-coupon convertible bond (with a conversion price of \$0.25 per conversion share) and a non-listed share option carrying the right to subscribe to \$5 million in new shares (with an exercise price of \$0.325 per option share).

- (i) **Can the board elaborate further on the group's capital management framework? Has the board reviewed the optimal capital structure to support the group's growth?**
- (ii) **Did the board estimate the cost to the group to issue the \$5 million zero-coupon convertible bond with a conversion price of \$0.25 per share?**
- (iii) **For the non-listed share option granted to Heliconia, how was the exercise price of \$0.325 for the option share determined?**
- (iv) With a balance of \$7.5 million from the net proceeds of the IPO and the additional \$5.0 million raised from the convertible bond, the group's cash hoard has increased to over \$12.5 million. **Can the board elaborate further on the group's acquisition strategy? Would it be looking to make a large acquisition of a network of medical clinics or would the board favour small bolt-on acquisitions?**